

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1756-02
Bill No.: Perfected HS for HB 715
Subject: Health Care; Nursing and Boarding Homes; Social Services Department
Type: Original
Date: May 2, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(Unknown greater than \$200,608)	(Unknown greater than \$50,608)	(Unknown greater than \$50,608)
Total Estimated Net Effect on <u>All</u> State Funds	(UNKNOWN GREATER THAN \$200,608)	(UNKNOWN GREATER THAN \$50,608)	(UNKNOWN GREATER THAN \$50,608)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Health Facilities Review Committee (MHFRC)** state they made the assumption that the workload would increase; however, no additional staff would be requested. MHFRC stated they based their assumptions on a review of the Committee's decisions for the past three calendar years (1998, 1999, and 2000). MHFRC also examined those projects which had previously been determined to be non-applicable because they were under a \$1 million expenditure minimum, but would now be reviewable as a result of this proposal. MHFRC states that during this same period (1998 - 2000) the Committee reviewed 210 non-applicability requests. These proposals did not require an application fee. MHFRC states as a result of this proposal 69 of the requests would now require review resulting in an additional \$78,176 in application fees going into the General Revenue Fund for the three-year period (\$26,059 annually). Based on industry sources MHFRC believes that there have been a number of proposals which, because they were under the expenditure minimums, were never brought before the Committee as non-applicability requests. Many of these proposals would now also require review. Therefore, as a result, MHFRC assumes that approximately 70 additional applications would be submitted. If each of these applications required the minimum \$1,000 application fee, this would result in an additional \$70,000 going into the General Revenue Fund for the three-year period (\$23,333 annually).

Department of Social Services - Division of Medical Services (DMS) officials state that changing the dollar cap on non-reviewable projects from \$1 million to \$10 million could have an impact on DMS; however, it is believed the impact would be minimal. DMS states that under current regulation a non-state inpatient hospital must have a certificate of need (CON) in order to request a rate adjustment for a new or expanded service. Increasing the threshold for a CON from \$1 million to \$10 million will reduce the number of projects that qualify for a rate adjustment thus reducing rate adjustment requests. This will delay recognition of those costs by three years when they will be included in the base year cost report. A review of the rate requests received in calendar year 2000 found that only two rate adjustment requests were under \$10 million. The annual cost of the rate increases totaled \$559,267. Oversight assumes any rate increase would occur beyond the fiscal note period.

Officials from the **Department of Health** assume this proposal would not fiscally impact their agency.

ASSUMPTION (continued)

Amendment 3

Department of Economic Development (DED) officials state they anticipate the cost of contract services to be a minimum of \$150,000 to obtain the expertise to conduct the work required by this portion of the proposal. DED states the cost of the work may be more expensive but it is doubtful it would be less than this amount

Amendment 5

Officials from the **Department of Social Services (DOS) - Division of Medical Services (DMS)** state that allowing a skilled nursing facility to receive Medicaid reimbursement on behalf of a resident who has met certain criteria does not meet the requirements of the Medicaid program. DMS states that in order for a facility to receive Medicaid reimbursement, the facility must be Medicaid certified. Any nursing facility that is not Medicaid certified would not be eligible to serve Medicaid recipients.

DMS states that if assumption that "Medicaid reimbursement" would require federal participating matching funds, the fiscal impact would be zero. Federal match is not available for a facility that is not Medicaid certified and Medicaid enrolled. If the assumption that "Medicaid reimbursement" means the amount that would be paid if the payment was made to a Medicaid certified facility, the fiscal impact would be unknown but greater than \$100,000. The average Medicaid per diem as of May 2, 2001 is \$95.88. The number of recipients that would be affected by this proposal is unknown. The payment would be made from 100% general revenue funds (current federal match is 61.03%).

This proposal would result in a increase in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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GENERAL REVENUE FUND

Income - Missouri Health Facilities
Review Committee

Additional application fees	<u>\$49,392</u>	<u>\$49,392</u>	<u>\$49,392</u>
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Costs - Department of Economic
Development

Economic impact study	(\$150,000)	\$0	\$0
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<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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Costs - Department of Social Services -
 Division of Medical Services

Medical assistance payments	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)
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**ESTIMATED NET EFFECT ON
 GENERAL REVENUE FUND**

<u>(UNKNOWN GREATER THAN \$200,608)</u>	<u>(UNKNOWN GREATER THAN \$50,608)</u>	<u>(UNKNOWN GREATER THAN \$50,608)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would make numerous changes and additions to the Missouri Certificate of Need Law. The proposal would: (1) add long-term care beds in hospitals to the definition of "health care facilities." It would remove from the definition hospitals, health maintenance organizations, tuberculosis hospitals, psychiatric hospitals, kidney disease treatment centers, diagnostic imaging centers, radiation therapy centers, and ambulatory surgical facilities and the current exclusion of the private offices of doctors, dentists, and practitioners of the healing arts; (2) add the Director of the Department of Social Services and the Director of Senior Services and Regulations in the Department of Health to the membership of the Missouri Health Facilities Review Committee; (3) remove new hospital facilities from the list of facilities required to obtain a certificate of need when the facility provides for something less than what was sought in the initial application; (4) move the requirements for certificates of need for research equipment used in clinical trials from Section 197.315, RSMo, to a new section, Section 197.378. The proposal would also remove section 197.366 dealing with health care facility definitions after December 31, 2001, and

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DESCRIPTION (continued)

Section 197.367 dealing with limitations on licensed beds; (5) add a new section of definitions involving requirements for certification associated with acute care facilities and first-time services; (6) set out requirements for the Health Facilities Review Committee in the review certification process. The requirements involve notification of applicants for review certification, conducting public hearings, issuing written findings, and specifying issues to be considered in determining whether to grant review certification; (7) require individuals who propose the development of an acute care service or first-time service to submit a letter of intent to the committee and that a fee be paid for each application for review certification; (8) allow an applicant to file an appeal within 30 days of the committee's decision and for the appeal to be heard de novo by the Administrative Hearing Commission. It would also establish the venue for subsequent appeals in the circuit court of the county where the acute care service or facility is proposed to be developed; (9) add new provisions dealing with requirements for obtaining review certification prior to offering services. An individual who proposes to develop or offer new institutional acute care services or who proposes a first-time service would be required to obtain a review certification from the committee prior to offering the services. A review certification would also be obtained when there is a proposal to add new beds to an existing hospital. A review certification would not be transferable from the premises and persons named in the application without the consent of the committee. Project cost increases in excess of 10% over the initial estimate would have the consent of the committee. Applicants who have been granted a review certification would be required to provide periodic reports to the committee until the project is completed. A review certification would be subject to forfeiture if costs equal to 10% of the total approved cost of the project are not incurred within 6 months of the date of the order. The applicant would be allowed to request an extension of up to 6 months to avoid forfeiture; (10) prohibit state agencies from licensing acute care facilities that are developed and required to have a review certification if the review certification is not first obtained, and they may not grant or appropriate funds to a facility that has not obtained all required review certifications. Review certifications would not be denied because of the applicant's refusal to provide abortion services or information. The transfer of ownership of an existing, operational acute care facility would not require a review certification; (11) specify certain circumstances where review certification would not be required; (12) make certain requirements for reimbursement to facilities that provide services to individuals who are eligible for Medical Assistance Benefits; and (13) allow the committee to promulgate rules to effectuate the objectives of Sections 197.370 through 197.384.

A portion of the proposal would have the Department of Economic Development conduct a study on the economic impact to the state of the certificate of need program from January 1, 1980 through June 1, 2001. The department would submit a completed study to the Governor and the General Assembly by May 1, 2002.

The proposal would authorize a skilled nursing facility to Medicaid reimbursement on behalf of a

DESCRIPTION (continued)

resident. The resident would be a private pay and have resided in the skilled nursing facility in excess of 90 days prior to becoming eligible for Medicaid.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services
Missouri Health Facilities Review Committee
Department of Health
Department of Economic Development

A handwritten signature in black ink, appearing to read "Jeanne Jarrett", with a stylized, cursive script.

Jeanne Jarrett, CPA
Director

May 2, 2001